

FRAUD

491 reported in 2002 • 579 reported in 2003

The FBI's Uniform Crime Reporting System does not include fraud, false pretenses, forgery, embezzlement, and confidence games among larceny. Yet in many cases, fraud is a much more serious crime than theft. Victims of check forgery and "con" games stand to lose thousands of dollars and may feel personal humiliation from being "duped" by a "con man." The confidence game crook, a particularly crafty breed of criminal who has no qualms with deceiving his victims face-to-face, expects that his victim's embarrassment will deter him or her from reporting the crime to the police.

In 2003, 579 incidents of fraud and forgery were reported to the Cambridge Police, ranging from simple check forgery to elaborate confidence swindles. Even though this may seem like an alarming number, this crime is thought to be substantially underreported. The following defines the categorizations that the Crime Analysis Unit uses when differentiating these fraudulent episodes, as well as a few highlights of this past year's activity throughout the City:

Crime	2002	2003
Counterfeiting	2	14
Forgery/Uttering	332	454
Application	2	2
Bad Check	36	22
Forged Check	72	106
Credit/ATM Card	212	227
Other/Misc.	10	97
Con Games	37	25
Big Carrot	8	7
Utility Impostor	2	0
Pigeon Drop	9	3
Charity Impostor	6	0
Psychic Swindle	0	2
Travel Scam	1	0
Odd Jobs	0	3
Internet Related	2	3
Miscellaneous	9	7
Embezzlement	5	5
Identity Theft	115	81

CHECK FORGERY (106 incidents): This type of forgery is quite self-explanatory – someone manages to obtain checks that are not his/hers, forges their signature to look like that of the rightful owner, and cashes the check in exchange for cash, or possibly to purchase merchandise. Forgers manage to acquire some of the victim's checks generally through purse theft or by intercepting them in the mail. Often, the victim does not learn of the theft until he or she receives his or her next balance statement—by this time, the thief may have depleted the account of thousands of dollars. The number of reported incidents in 2003 was 106, a sharp increase over 2001 and 2002, which both saw only 72 such incidents. It is likely that this type of fraud is one of the most underreported categorizations, because the victim often feels that nothing can be done about the situation.

CREDIT CARD/ATM CARD FRAUD (227 incidents): Another simple scenario: a thief steals a credit card or ATM card (or copies the card number) from his victim, then uses it to purchase expensive items or deplete the owner's account. Again, the victim sometimes does not discover the theft until he or she receives a balance statement. There were 124 reported cases of credit card/ATM fraud in 1997, this crime has since nearly doubled to 227 in 2003.

APPLICATIONS (2 incidents): Forgery of applications occurs when a suspect goes into a commercial establishment and applies for a store credit card. After the application is falsely filled out, the suspect charges merchandise on the credit card and never pays the balance. In 2000, eight incidents were reported. There were zero reported in 2001, and two in 2002 and 2003. The first incident occurred in early January at the Sears in the Galleria. The suspect opened five different accounts, three of them with a false name, and used them to purchase nearly \$4000 in items. The other incident was in June, in which two student accounts and a Fleet account were made out in the victim's name and charges were made on them while the victim was out of the country.

COUNTERFEITING (14 incidents): Counterfeiting is one of the more devious types of fraud. True counterfeiters invest thousands of dollars for counterfeiting equipment to produce near copies of genuine dollar bills. Because of the cost, counterfeited bills are usually of high denomination - \$100's and \$20's are most commonly counterfeited. Of the 14 incidents in Cambridge in 2003, four occurred at stores in the Galleria, and one arrest was made. Often these bills are used to make small purchases so the counterfeiter can receive genuine currency as change. It is very likely that there were more fake notes passed in 2003 that went undetected.

EMBEZZLEMENT (5 incidents): This crime can be simply explained as follows – the employee of a company takes advantage of his position for his own financial gain, diverting company funds to himself or herself. The means by which the offender accomplishes the embezzlement varies, depending on the business, from store clerks “skimming” the register to “shady” company accountants falsifying corporate records. This category of fraud has experienced quite a decline in numbers since 1997, when 25 cases were reported. In 2003, a mere five incidents took place, two of which resulted in arrests.

BAD CHECKS (22 incidents): This scenario is pretty clear-cut: someone writes a check on a closed account or insufficient funds. There were 22 reports of bad checks in 2003, two of which resulted in arrests.

SCAMS AND CONFIDENCE GAMES (25 incidents): Perhaps the worst breed of fraud offenders employ “flim-flams” or “con games,” which exploit their victims’ good will, gullibility, or greed, and bill them for hundreds or thousands of dollars. We are warned from childhood to beware of offers that are “too good to be true,” but our defenses are often overcome by the belief that an offer is “too good to pass up.” Four of the major types of scams are described below.

- **“The Big Carrot”**: Seven swindles of this type occurred in 2003, three of which occurred in pairs, and all of them probably involved the same suspect or group of suspects. The *modus operandi* was virtually identical from incident to incident: the suspect phoned his victim, claiming to work for an electronic store and had excess merchandise he could sell the victim at a “too good to refuse” price. The Sears and Best Buy locations at the Cambridgeside Galleria were each the location of this type of swindle multiple times in 2003. In two of the incidents the suspect claimed to work for UPS. The two would arrange to meet and exchange the money for the merchandise, but the merchandise never appeared. The victim was usually given a phony receipt and told to wait by the receiving area to pick up the merchandise. The suspect was never seen again. Each victim of this crime was taken for hundreds or thousands of dollars in cash.
- **The Utility Impostor**: During these typical scams, the con artists visit their victims at home, impersonating employees of the electric company, cable company, or water department. While one perpetrator distracts the victim, the other roams the house and collects valuables; he or she primarily for cash, purses, jewelry, or other small, subtle items the owner might not immediately notice missing. Good con artists who employ this trick may bring notebooks, clipboards, or tools which may resemble what real utility men would use, but a brief investigation will usually make the scam evident. Fortunately, there were no “utility impostor” scams in Cambridge in 2003.
- **The Charity Impostor**: These incidents involve an impostor who poses as a charity worker and collects cash, which simply goes straight into the con man’s pocket. The charity impostor may conduct his business door-to-door, or he may stand in the street. There were no incidents of this sort in the City this year.
- **“The Pigeon Drop”**: One of the oldest scams in the proverbial book, the pigeon drop is the tool of a fast-talking group of con artists who prey on the greed and naiveté of their victims. Pigeon drop artists swindled three Cantabrigians in 2003, one of which resulted in the loss of \$6,000. There are several variations of the pigeon drop. In general, the victim is approached on the street by one or two perpetrators and told a story about finding a large sum of money or a winning lottery ticket. The victim is offered a share of the money if they are willing to give the perpetrators a deposit (the swindlers often request money to show the victim’s “good faith”). The perpetrators tell a variety of stories about the money and how the victim will get his or her share. After the victim puts up his or her portion of the cash, the hustlers secretly exchange it for worthless paper or steal it outright. Two of these incidents in Cambridge last year involved suspects who claimed the victim needed to remove money from their bank account to, in one instance, “to show the bank (the victim) needed money.”

IDENTITY THEFT (81 incidents): Identity theft is a crime in which an imposter obtains key pieces of personal information, such as Social Security or driver’s license numbers, in order to impersonate someone else. The information can be used to obtain credit, merchandise, and services in the name of the victim, or to provide the thief with false credentials. In addition to running up debt, an imposter might provide false identification to police, creating a criminal record or leaving outstanding arrest warrants for the person whose identity has been stolen.

- Identity theft is the fastest-growing crime in the nation, according to the Federal Trade Commission. In 2003, there were 3,634 complaints of identity theft in the Commonwealth of Massachusetts. Credit card fraud constituted 41% of these thefts, followed by phone/utilities fraud at 22%. The median loss is \$228, but can fluctuate widely from incident to incident – some identity thefts cost the victims tens of thousands of dollars. Nationwide, 60% of victims did not notify a police department of the theft, and only 31% of incidents resulted in police actually writing a report.¹ Privacy advocates advise consumers to protect

¹ All of the information in this section was provided by the FTC’s web site, <www.ftc.gov>.

themselves from identity theft by checking their credit reports twice a year, shredding personal documents before throwing them away and cleansing wallets of old receipts and printed Social Security numbers.

- Phoenix/Mesa had the highest rate of identity theft among American metro areas in 2003 with 155 victims for every 100,000 people. The Boston/Cambridge area was the 25th ranked metropolitan area in terms of complaints per citizen (62 per 100,000; 2,114 complaints total).

Preventing Fraud



- Banks are swiftly replacing standard ATM Cards with “Check Cards”—credit cards that deduct directly from your checking account. These check cards, while convenient, present a security problem. Thieves no longer need your Personal Identification Number (PIN) to use the card; if a thief uses it like a credit card, he can drain your entire account by just forging your signature on credit card slips. If your ATM Card has a credit card logo (such as Visa or MasterCard) on it, it can be used like a credit card. If you do not want this feature, notify your bank and have them send you an ATM-only card.
- Keep your credit card numbers, and the telephone numbers of your credit card companies, at home and work. If your cards are stolen, call these numbers immediately and report the theft.
- Try to avoid carrying more credit cards than you need at one time.
- Never write your ATM card PIN number on the card or on a slip of paper in your wallet or purse.
- Protect your cards against theft in the first place; see the prevention tips under the “Larceny” section.
- Merchants should implement and enforce a policy of requiring a photographic identification when using a check or credit card.

Learn to recognize potential fraud scenarios. Any of the following activities almost certainly involves a scam:

- Someone approaches you on the street claiming to have found money.
- Any circumstance in which you have to pay money in order to get money.
- Someone comes to your door, without notification, claiming to work for the gas company, electric company, water company, or cable company. Always ask for official identification and call the utility company to make sure the identification is valid. Do not let “utility impostors” into your home.
- You receive an unsolicited telephone call from someone offering a great deal on some piece of merchandise.
- You're notified in the mail that you've won a prize, but you have to pay money in order to claim it.